



# House of Representatives

General Assembly

**File No. 278**

January Session, 2009

Substitute House Bill No. 6434

*House of Representatives, March 26, 2009*

The Committee on General Law reported through REP. SHAPIRO of the 144th Dist., Chairperson of the Committee on the part of the House, that the substitute bill ought to pass.

## **AN ACT CONCERNING CONSUMER DEPOSITS AT BANQUET FACILITIES.**

Be it enacted by the Senate and House of Representatives in General Assembly convened:

- 1 Section 1. (NEW) (*Effective October 1, 2009*) (a) Any person engaged
- 2 in the business of renting or leasing a facility for events, including, but
- 3 not limited to, conventions, weddings or conferences, shall maintain a
- 4 secured line of credit or hold in trust in a separate escrow account not
- 5 less than twenty-five per cent of the amount of any deposits or down
- 6 payments provided to such person by persons paying for the use of
- 7 such facility, provided the individual deposit or down payment is
- 8 equal to or greater than five hundred dollars and that services related
- 9 to such deposit or down payment have not been rendered. Such
- 10 amount shall be adjusted at least thirty days from its establishment or
- 11 most recent adjustment to reflect the value of any additional deposits
- 12 or down payments and to deduct any deposit or down payment where
- 13 services have been rendered. As used in this subsection, "escrow
- 14 account" means an account in a bank chartered by the state of

15 Connecticut or any other state or the federal government, where such  
 16 funds are separate from the funds of the facility and are held in trust  
 17 for the persons who have provided an initial deposit or down payment  
 18 to rent or lease such facility, and "secured line of credit" means an  
 19 irrevocable letter of credit issued by a bank or other state or federally  
 20 chartered financial institution that provides the Department of  
 21 Consumer Protection as beneficiary in the event of a default by the  
 22 facility in the promise to provide services related to the down payment  
 23 or deposit. Such letter of credit shall be reissued annually with a copy  
 24 delivered to the Commissioner of Consumer Protection.

25 (b) A violation of this section shall be deemed an unfair or deceptive  
 26 trade practice in violation of subsection (a) of section 42-110b of the  
 27 general statutes.

This act shall take effect as follows and shall amend the following sections:		
Section 1	October 1, 2009	New section

**Statement of Legislative Commissioners:**

In the first sentence of Section 1 (a), "persons renting or leasing such facility" was changed to "persons paying for the use of such facility", for clarity.

**GL**            *Joint Favorable Subst.*

The following fiscal impact statement and bill analysis are prepared for the benefit of members of the General Assembly, solely for the purpose of information, summarization, and explanation, and do not represent the intent of the General Assembly or either House thereof for any purpose:

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**OFA Fiscal Note****State Impact:**

Agency Affected	Fund-Effect	FY 10 \$	FY 11 \$
Consumer Protection, Dept.	GF - Revenue Gain	Potential	Potential

Note: GF=General Fund

**Municipal Impact:** None**Explanation**

The bill results in a potential revenue gain to the state due to potential Connecticut Unfair Trade Practices Act (CUTPA) violations in the area of deposits at banquet facilities. The number of complaints that are expected to occur in this area are expected to be of a size that the Department of Consumer Protection can handle within existing resources.

**The Out Years**

The annualized ongoing fiscal impact identified above would continue into the future subject to inflation.

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**OLR Bill Analysis****sHB 6434*****AN ACT CONCERNING CONSUMER DEPOSITS AT BANQUET FACILITIES.*****SUMMARY:**

This bill requires businesses renting or leasing a facility for events to (1) maintain a secured line of credit or (2) hold a portion of the deposit in trust in a separate escrow account. The amount maintained or held must be at least 25% of the amount of any deposits or down payments greater than \$500. The amount must be adjusted at least 30 days from its establishment or most recent adjustment to reflect the value of additional deposits, down payments, or services rendered. A violation is an unfair trade practice.

EFFECTIVE DATE: October 1, 2009

**SECURITY**

The bill defines “secured line of credit” as an irrevocable letter of credit reissued annually by a bank or other state or federally chartered financial institution that names the Department of Consumer Protection (DCP) as a beneficiary. A copy of the letter must be sent to DCP.

The bill defines an “escrow account” as a state or federally chartered bank account where funds are separate from the funds of the facility and are held in trust for the person paying to use the facility.

**BACKGROUND*****Connecticut Unfair Trade Practices Act***

This law prohibits businesses from engaging in unfair and deceptive acts or practices. It allows the consumer protection commissioner to

issue regulations defining what constitutes an unfair trade practice, investigate complaints, issue cease and desist orders, order restitution in cases involving less than \$5,000, enter into consent agreements, ask the attorney general to seek injunctive relief, and accept voluntary statements of compliance. The act also allows individuals to sue. Courts may issue restraining orders; award actual and punitive damages, costs, and reasonable attorneys fees; and impose civil penalties of up to \$5,000 for willful violations and \$25,000 for violation of a restraining order.

**COMMITTEE ACTION**

General Law Committee

Joint Favorable Substitute

Yea 13 Nay 6 (03/10/2009)